

Distribution Service in Vietnam

AEF meeting, Siem Reap, June 2004

Status

- Internal liberalization since late 1980s to abolish state monopoly.
- No clear separate regulatory documents for distribution services. Regulations instead are scattered in different documents on broader issues.
- Foreign participation was allowed since mid 1990s, with no more than 50% ownership in joint ventures.
- Foreign presence is limited due to unclear regulation and market size.

Status (cont)

- Metro is the only foreign distributor in supermarket business.
- Distribution of foreign well-known branded products is through commissioned agents and/or parallel imports then local retailers.
- Franchising is very limited (KFC was franchised to a Singaporean company that has joint venture with local partner)

Reform Priority

- Regulatory framework in place for foreign entry, looking ahead the perspective of Vietnam's accession to WTO, regional agreement, development of domestic industries that need distribution services.
- Development of distribution (both domestic and international for export) for local agricultural products to benefit farmers.

Reform Priority (cont)

- Strengthen marketing capacity of local distributors in reaching foreign markets, to be closer to end consumers, and thus gain higher value-added for the country.
- Clearly define distribution services for data collection and statistics purposes, given the increasing importance of this activity in the economy.

Benefit of international engagement

- Foreign entry will serve the high end of the market (urban middle class), instead of competing in the same segment with domestic distributors.
- Foreign distributors with well-established international network may facilitate Vietnam's export in the first stage, when local distributors are not capable to do so.
- Opportunity to strengthen capacity of local exporters/distributors to reach foreign markets.
- Engaging in distribution helps firms increase value-added and profitability, thus move up the value chain.

Thank you for your attention

